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This 2007-2008 Upper Deck Michael Jordan/Kobe Bryant card broke records in August when it sold for $13 million at auction.
Courtesy photo by Heritage Auctions

Collectible cards are hot, but are they good investments?
By Rob Burgess
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As recent headlines have proven, the market for collectible cards is hotter than ever.

Last month, Canadian investor and "Shark Tank" co-star Kevin O'Leary revealed he was one of three buyers of a 2007-2008 Upper Deck Kobe Bryant/Michael Jordan card. The $13 million paid at auction set a new record for sports cards.

The previous record-holder was for a 1952 Topps Mickey Mantle baseball card, which went for $12.6 million in 2022.

Not only is Sean Lovison, founder and lead planner at Purpose Built Financial Services in Moorestown, New Jersey, a sports card collector himself (mostly football), he has clients who share his interest. Much like him, they are drawn to the history, collectability and value of the cards, rather than the gaming or active trading aspects.

While the O'Leary investment has brought a renewed focus to collectible cards as an alternative asset class, Lovison said he would tell most clients that this is an expensive hobby rather than a reliable investment.

"The market is much like the art world: a tiny fraction of pieces will be successful investments, while the vast majority will remain near worthless except for their sentimental value," he said.

As a personal collector of baseball cards and bobbleheads, Emilio Cabuto, a financial planner at Verus Capital Partners in San Diego, said he sees the passion side as well as the investment angle. But, as an advisor, he wouldn't consider cards a core investment because they're illiquid and difficult to value.

"But for collectors with true passion, allocating a small amount of 'fun money' can make sense," he said.

Until a card is sold, its value is only theoretical

Returns can be massive if investors happen to buy a pack or box that contains a rare, high-value card, though the odds of pulling one are low.

That's part of the thrill, said Cabuto.

"By contrast, seeking out a graded card provides more certainty and verified quality, but often requires a much bigger upfront investment," he said. "That uncertainty is a big reason I frame cards as a passion-driven hobby first, with any financial upside being a bonus."

Over the years, Cabuto said he's invested between $2,500 and $4,000 into cards, and today his collection is valued at around $11,000. But like any market, those values are only realized once a card is sold, he said.

"A portfolio might look great on paper now, and be worth more or less tomorrow depending on demand," he said.

Casting a skeptical eye, Robert R. Johnson, professor of finance at the Heider College of Business at Creighton University, said he believes collectible cards are in an even bigger bubble than existed in the so-called "junk wax era" from 1986 to 1994. Collecting was extremely popular then and manufacturers printed massive quantities of cards, rendering the vast majority of them worthless.

Today's card market is a little different, but also built on scarcity and speculation, said Johnson, who called O'Leary's investment in particular "the height of absurdity."

"Today, there are multiple card companies producing a wide variety of cards that have resulted in speculators driving up prices to unsustainable levels," he said. "Cards that were literally printed yesterday can sell for millions of dollars because the quantity is limited. … The greater fool theory is at work here: 'If I

pay $X for this item, is there a greater fool that will pay me $X+$Y?'"

The "ridiculously high prices" being paid for cards is what has driven Johnson to begin liquidating the collection he assembled as a youth. The bubble is going to burst at some point, and the prices paid for these items will fall dramatically, said Johnson.

Cards that will hold their value more will be the true vintage cards from the 1970s and earlier, which were produced in an era in which the hobby was for children and many cards were damaged or destroyed, he said.

"I am amazed at what a big business card collecting has become," he said. "It makes no sense that a company can print unique, one-of-a-kind cards today and have them worth millions tomorrow. This is an engineered shortage and the market for these gimmicks will eventually crater."

Certain rookie cards are especially valuable

For those who want to view cards as an investment, the focus should be on high-end, iconic pieces and players, said Lovison. Think of legendary names like Mantle, Jordan, Jim Brown and Tom Brady; and their most iconic cards, such as the 1986 Fleer Jordan rookie card.

"These cards hold investment value because they are widely known and will always have a demand," he said.

Rookie cards are especially interesting because they mirror a "buy-low, hope-to-sell-high" strategy, but the risk is concentrated — the entire value depends on one person's career trajectory, said Cabuto.

"If that player gets hurt or runs into trouble, the card can collapse in value overnight," he said.

On the other hand, collectibles like Pokémon cards don't carry that same risk, said Cabuto.

"Pikachu isn't going to tear his ACL, and Charizard isn't going to get a DUI," he said. "That stability can make them more predictable in terms of demand."

Kris Dehnert is CEO and founder of Dugout Mugs, a company that refashions the barrels of baseball bats into mugs. He said his personal card collection is currently valued at around $200,000.

Dehnert said his technique is to identify baseball players who have Hall-of-Fame-worthy numbers in metrics like home runs, strikeouts and batting average. At that point, he started to acquire graded cards from their rookie year.

For example, he started zeroing in when Los Angeles Dodgers pitcher Clayton Kershaw was approaching his 3,000th strikeout in July, San Francisco Giants

pitcher Justin Verlander reached 3,500 strikeouts in August or Detroit Tigers Miguel Cabrera reached 500 home runs in 2021.

"All of these are, without a doubt, Hall of Fame numbers," said Dehnert. "Because of that, collecting their cards before the hype starts allows me to triple my value in less than five years or less, the amount of time that must pass before someone is eligible."

Where and how to buy

One advantage of card collecting today, as opposed to previous years, is that with some of the technology available, managing and monitoring a collection is "light years" ahead of where it has been in the past, said Dehnert. It's easy to pull comparables from sites like 130 Point and eBay to show the increase in sales over the past six, 12 and 18 months.

"You can scan in your cards and keep a digital ledger of your collection and monitor it, just as you would an E-Trade account or a cryptocurrency wallet," he said.

A certified, graded iconic card from a reputable company like Professional Sports Authenticator can definitely be viewed as an investment, said Lovison.

However, collecting and trading in lower-level cards is a much riskier proposition, he said.

"This space was once described to me as having the 'hustle as the hobby,'" he said. "The real enjoyment for collectors in this tier comes from the process of concentrating and trading up the value ladder, not the cards themselves."

It's also extremely speculative because of the high fees associated with buying and selling, said Lovison. For example, the largest market, eBay, advertises a 13.5% selling fee but does not advertise that this is on the total sale price, including taxes and shipping. The true cost can be over 17% of the card's price, which makes active trading difficult, he said.

Cabuto said his advice for anyone building a card portfolio is to do research, network and join the culture.

"Go to trading card conventions, build relationships with other collectors, and learn from people who've been active in the space," he said. "Being part of the community not only helps you avoid mistakes but also makes the experience far more enjoyable."